

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

4 OCT 1976

IC 76-2386

The Honorable Robert F. Ellsworth
Deputy Secretary of Defense
Washington, D.C. 20301

Dear Bob:

Thanks for your letter of 30 August relating your concern about the Community's analysis of military expenditure data, as you say, "across the board." I share your concern and I recognize that we have a continuing need to focus effort on this area of intelligence analysis.

You may not, however, be fully aware of the actions that have been taken since we last discussed this subject:

- We have expanded the membership of the Military Economic Advisory Panel (MEAP) and have made the panel responsible directly to me.
- CIA has published new studies on the dollar and ruble costs of Soviet military programs since 1970, incorporating a significant amount of new information and analysis.
- We have increased the analytic effort within CIA on the military expenditures problem, and have taken steps for further increases in our work on defense economics in FY 77 and FY 78. It takes time, of course, for such investments to pay off.
- The MEAP has disseminated a report on enhancing Community efforts on Soviet R&D activities with particular emphasis on resource implications. This study took into account the views of a number of Defense components, Andy Marshall, and outside contractors. We are now following up on the MEAP report with the creation of a task force charged to develop a coordinated, Community-wide research program.

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- My NIO for Economics is cooperating with Andy Marshall in an exploratory effort to develop the kind of new institutional framework that will permit a larger external (academic) research contribution to be made to our defense economics problems. I know this effort is of considerable personal interest to you.

As I see the situation, we have done a great deal in the past several months to come to grips with the defense economics problem. I believe we are now moving in the right direction, with appropriate priority.

STATINT The IC Staff is presently reviewing user satisfaction with economic reporting as a part of the semiannual NSC review called for in Executive Order 11905. I think this sort of review is appropriate and in the normal course of things will ferret out consumer dissatisfaction and guidance on priority issues. I would not want to disrupt this program of regular review with the special review you suggest at this time. I expect that the IC Staff will stimulate actions to improve Community performance, either on its own initiative or as a result of its periodic review of performance in certain areas. I have been assured by [] that such actions will be undertaken as they appear needed and appropriate.

Lastly, Bob, I would like to add a comment on your recommendation that the CFI initiate review actions over the broad range of defense economics topics. I do not believe that matters of this type should come under the CFI in any direct way. They are more properly the responsibility of the DCI and the components directly responsible to him in the production of national intelligence. At your convenience we might discuss this point further.

Sincerely,

SIGNED

George Bush

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